



Gama Holding FZC
Annual report and financial statements
for the year ended 31 December 2012

License number 02-04-06496

Gama Holding FZC
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Gama Holding FZC

Directors' report

For the year ended 31 December 2012

The directors present their report together with the audited financial statements for the year ended 31 December 2012.

Our Vision

To be demanded and trusted by our clients, valued by our shareholders, prized by our people and admired by our peers.

Our Mission

Our mission is simple – act responsibly to the people that matter: our clients, our shareholders and our people. This will be achieved by consistently improving; turning opportunity into reality, turning challenges into solutions, transforming normal to special. Fundamental to this will be continued, focused, strategic investment that increases our people's expertise, our operational footprint and our value to clients. This has been our history and will be our future.

Our Values

Safe & dependable

Through our dependability across all areas of the business, we take every possible measure to maximise safety during normal operations and in times of crisis.

Authentic & true

We are always honest with ourselves, our clients and our shareholders, never shying away from the truth even if it's sometimes uncomfortable.

Client focused

We deliver unparalleled service, in the air and on the ground - going the extra mile with our attention to detail, respect for our clients' requirements and our care for their assets.

Performance driven

Our unstinting drive to achieve the highest operational and client service standards is rewarded with higher margins and greater returns to our shareholders and people.

Experts

Our personnel's high technical standards bring clarity, peace of mind and a pragmatic approach that enables the constant improvement that separates us from our competitors.

Principal activities, results and dividends

The principal activity of the Group during the year was that of the maintenance, management and charter of private and business aircraft.

The private aviation industry has continued to suffer the effects of a deep recession and, although there are some positive signs of recovery in the US, the impact has been similar in each region that Gama operates. The industry as a whole is beginning to see some signs of improvement in 2013 (based on a wide variety of KPIs such as charter activity, aircraft deliveries and flying hours) but the directors remain cautious about the pace of recovery, particularly in the higher margin service of ad hoc charter. Gama continues to manage its costs closely, without ever compromising the safety of what we do.

The results for 2012 have been impacted by impairment and on-going litigation, leading to a significant loss for 2012. However, the directors have carefully reviewed the performance of the underlying trading companies and are satisfied that the business models of each group company are robust and sustainable. The exception is the business of aircraft ownership through our Gama Leasing Limited subsidiary. The directors are looking to exit this activity unless our owned aircraft are required to service long term contracts (e.g. our Scottish Air Ambulance contract).

The directors have observed that as a result of the current economic downturn, market values for second hand aircraft have fallen and the number of distress sales has lowered the resale value of small and medium sized business aircraft. As a result the Group undertook a detailed impairment review and determined that an impairment of \$2,801,000 should be recorded against the carrying value of the Group's aircraft fleet. This follows the impairment of \$351,000 in 2011. The directors have accelerated the depreciation rates for the remaining lives of the owned aircraft as described in note 3.

Gama Holding FZC
 Directors' Report (continued)
For the year ended 31 December 2012

Principal activities, results and dividends (continued)

The directors are forecasting an improvement in the results of 2013 and have already seen the start-up businesses in the US and UAE recording month-on-month profits for the first time. The Group will remain focussed on costs and cash control, whilst investing in growth where appropriate and ensuring Gama remains well placed for a more sustained recovery in private aviation. In September 2013 Gama Charters Inc (a 49% subsidiary of wholly owned Gama Group Inc) signed a significant contract with Wheels Up Partners LLC to deliver aircraft management and support services for a fleet of KingAir B350s. The Group will see the benefit of this contract in 2014.

The key financial performance indicators for the Group are as follows:

	2012	2011
	\$'000	\$'000
Turnover	162,274	183,942
Gross margin (%)	11.6	8.3
Underlying EBITDA	1,122	1,307
Underlying operating profit	(2,024)	(1,655)
Operating loss	(6,395)	(3,756)
Cash	5,806	6,404
Net assets	(423)	3,960

Underlying EBITDA excludes costs relating to litigation \$1,570,000 (2011 - \$1,750,000). Underlying operating profit excludes both impairment charges relating to the Group's aircraft, \$2,801,000 (2011 - \$351,000) and litigation-related costs.

The operating loss includes an impairment charge of \$2,801,000 (2011 - \$351,000) on the Group's aircraft.

The management team regularly review a number of non-financial indicators to gather a more rounded view of the Group's performance. These include:

	2012	2011
Total hours flown	15,642	12,291
Total sectors flown	10,107	8,351
Aircraft owned and / or under management	58	62

The directors have not recommended a dividend (2011 – nil).

Principal risks and uncertainties

The directors consider the principal risks to the business are:

- * Poor operational performance damaging the Group's reputation
- * Changes in economic climate that make private air transport less attractive
- * Increasing regulatory burden and costs of compliance

Principal risks and uncertainties (continued)

Damage to the Group's reputation

The Group's reputation for safety, reliability and high service standards is essential for maintaining customer loyalty and ensuring premium pricing levels. The Group has systems and monitoring processes in place to ensure that high standards are maintained across all aspects of the Group, including customer-facing crew as well as back-office operational staff. The Group carefully reviews any deviations from these standards and implements changes to prevent recurrence.

Changes in economic climate

The Group offers air transportation services that provide far greater flexibility, discretion and levels of service than is possible with general aviation services. The directors recognise that in a recessionary economic climate there may be pressure on customers to reduce their use of private aviation services. The directors mitigate this risk by regularly reviewing current and anticipated activity levels and reducing the Group's cost base accordingly.

Regulatory burden and costs of compliance

To ensure very high levels of safety, the aviation industry has significant and complex regulation to cover training, engineering, safety and operations. Breaches of regulations are likely to lead to sanctions such as suspension of operations or other restrictions. The directors believe that the regulatory burden is likely to increase over time and have members of staff dedicated to liaising with the various regulatory bodies. In addition, staff are regularly trained and appraised to ensure their understanding and compliance.

Financial instruments

Financial risk management objectives and policies

The Group's principal financial instruments comprise:

- * Bank balances;
- * Trade creditors;
- * Trade debtors; and
- * Finance lease agreements.

The main purpose of these instruments is to raise and maintain sufficient funds to finance the Group's operations.

Due to the nature of the financial instruments used by the Group there is no exposure to price risk. The Group's activities expose it to the financial risks of changes in foreign currency (primarily sterling and euro) and interest rate changes. The Group does not use derivative financial instruments to hedge these risks. The Group's approach to managing other risks applicable to the financial instruments concerned is shown below.

Bank balances

The Group has no formal overdraft facility as the forecasts regularly reviewed by directors do not anticipate short-term funding requirements. General liquidity risk is managed by maintaining weekly cash forecasts to ensure positive cash balances.

Trade creditors

Trade creditors liquidity risk is managed by ensuring sufficient funds are available to meet amounts due.

Trade debtors

Trade debtors are managed in respect of credit and cash flow by regular review of aged debtors and our customers' credit rating. Cash flow risk is mitigated by requiring up-front payment for much of the Group's work and short credit terms for all other customers. Provisions are made against any amount for which the recoverability is uncertain.

Gama Holding FZC
Directors' Report (continued)
For the year ended 31 December 2012

Finance lease

The Group is a lessee in respect of a number of finance leased assets, mainly aircraft. The company manages the liquidity risk by ensuring there are sufficient funds to meet payments.

Post balance sheet events

These are detailed in note 35 of the financial statements.

Charitable and political contributions

During the year the Group made charitable donations of \$12,613 (2011: \$33,610). During the year the Group made no political donations (2011: \$nil).

Employment of disabled persons

The Group gives full consideration to applications for employment from disabled persons where the requirements of the jobs can be adequately fulfilled by a handicapped or disabled person. Where an existing employee becomes disabled, it is the Group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

Employee involvement

During the year, the policy of providing employees with information about the Group has been continued through internal media methods in which employees have also been encouraged to present their suggestions and views on the Group's performance. Regular meetings are held between local management and employees to allow a free flow of information and ideas.

Policy and practice on the payment of creditors

The Group's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and abide by the terms of payment. Trade creditors of the Group at 31 December 2012 were equivalent to 50 days' (2011: 49 days') purchases.

Qualifying third party indemnity provisions

The Group has made qualifying third party indemnity provisions for the benefit of its directors which were in place during the year and to the date of this report.

Going concern

The directors have performed a detailed analysis of the cash flow projections for the Group as a whole covering the period through to the financial year ended 2014. The key assumptions in this forecast include the sale or refinancing of several of the Group's aircraft in order to allow the Group to meet its financing requirements over this period. The Group has commenced the marketing of these aircraft and having reviewed the evidence available the directors are satisfied that sufficient funds can be raised to allow the Group to meet its expected liquidity requirements over this period.

The directors have also considered the expected timing and outcome of the litigation one of the Group's subsidiaries is currently engaged in with one of its debt holders, as disclosed in note 29. In doing so the directors have taken account of the ruling on 23 October 2013 in which the debt holders application for summary judgement was dismissed and advice from the lawyers handling the case. If the litigation were to result in an adverse ruling the Group is highly likely to require additional external funding in order to meet its liabilities. If this funding is not available the relevant subsidiaries may not be able to continue trading. This, however, would not impact on the Group as it has not provided any financial guarantees to these subsidiaries and there would be no financial recourse to the rest of the Group.

The directors have discussed this eventuality with the Group's shareholders and while no firm commitments have been provided they have a reasonable expectation that additional investment would

Gama Holding FZC
Directors' Report (continued)
For the year ended 31 December 2012

Going concern (continued)

be made available if required. In the event that insufficient funding is made available from the shareholders, the directors will seek to raise funds via the sale of other assets/businesses.

The directors are therefore of the opinion that in all reasonably foreseeable circumstances the company will remain a going concern for at least twelve months from the date on which these financial statements have been approved. Accordingly, the going concern basis has been adopted in the preparation of these financial statements.

Directors

The directors who served the company throughout the period were as follows:

Sir R Robins (Appointed 22 June 2012)
G Khalek (Resigned 22 June 2012)
M Khalek
S Wright
D Millington
B Jafar
K Souaid
Sh. M A Thani
H Macki (Appointed 19 June 2013)
P Brown (Appointed 19 June 2013)
M Sukkar (Resigned 19 June 2013)

Audit Committee

The group's audit committee is comprised of the following directors:

P Brown (Chairman of the audit committee)
Sir R Robins
H Macki

Auditor

Each of the persons who is a director at the date of the approval of this report confirms that:

- So far as the director is aware, there is no relevant audit information of which the Group's auditor is unaware; and
- the director has taken all steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

By the order of the Board



Chief Financial Officer
D M Millington

11 December 2013

Gama Holding FZC
Directors' responsibilities statement
For the year ended 31 December 2012

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

The directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRS"). The directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards have been followed; and,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with IFRS and relevant statute. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Gama Holding FZC
Independent auditor's report

We have audited the accompanying financial statements of Gama Holding FZC (the "Group"), which comprise the consolidated balance sheet as at December 31, 2012, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated cash flow statement for the year then ended and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Gama Holding FZC as at December 31, 2012, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

Also, in our opinion, the Company has maintained proper books of account and the physical inventory was properly conducted. We obtained all the information and explanations which we considered necessary for our audit. According to the information available to us, there were no contraventions during the year of the provisions of the FZC implementation Procedure under Law No. 2 of 1995, or the Company's Articles of Association which might have materially affected the financial position of the Company or its financial performance.



Dubai

11 December, 2013

Member of Deloitte Touche Tohmatsu Limited

Gama Holding FZC
Consolidated income statement
For the year ended 31 December 2012

	Year ended 2012			Year ended 2011	
	Note	Acquisitions (see note 27) \$'000	Continuing operations \$'000	Total \$'000	\$'000
Continuing operations					
Revenue	5	1,476	160,798	162,274	183,942
Cost of sales		(529)	(142,852)	(143,381)	(168,739)
Gross profit		947	17,946	18,893	15,203
Impairment charge	6	-	(2,801)	(2,801)	(351)
Other administrative expenses		(933)	(21,553)	(22,486)	(18,490)
Total administrative expenses		(933)	(24,354)	(25,287)	(18,841)
Share of results of associates	15	-	(1)	(1)	(118)
Operating profit/(loss)		14	(6,409)	(6,395)	(3,756)
Finance costs	9	-	(1,171)	(1,171)	(1,340)
Profit/(loss) before tax		14	(7,580)	(7,566)	(5,096)
Taxation credit/ (charge)	10	-	1,155	1,155	(365)
Profit/(loss) for the year	6	14	(6,425)	(6,411)	(5,461)
Attributable to:					
Owners of the Company		14	(6,331)	(6,317)	(4,988)
Non-controlling interests		-	(94)	(94)	(473)
		14	(6,425)	(6,411)	(5,461)

Gama Holding FZC
 Consolidated statement of comprehensive income
For the year ended 31 December 2012

	Year ended 2012 \$'000	Year ended 2011 \$'000
Loss for the year	(6,411)	(5,461)
Exchange differences on translation of foreign operations	386	(143)
Total comprehensive loss for the year	<u>(6,025)</u>	<u>(5,604)</u>
Attributable to:		
Owners of the Company	(5,931)	(5,131)
Non-controlling interests	(94)	(473)
	<u>(6,025)</u>	<u>(5,604)</u>

Gama Holding FZC
Consolidated balance sheet
As at 31 December 2012

	Note	2012 \$'000	2011 \$'000
Non-current assets			
Property, plant and equipment	13	21,972	24,290
Goodwill	11	4,530	3,614
Other intangible assets	12	4,093	673
Investments in associates	15	212	213
Deferred tax asset	19	967	445
		<u>31,774</u>	<u>29,235</u>
Current assets			
Inventories	16	4,237	5,977
Trade and other receivables	17	29,069	37,738
Cash and cash equivalents		5,806	6,404
		<u>39,112</u>	<u>50,119</u>
Total assets		<u>70,886</u>	<u>79,354</u>
Current liabilities			
Trade and other payables	21	(36,477)	(40,480)
Obligations under finance leases	18, 20	(5,517)	(6,418)
Borrowings	18	(8,535)	(9,292)
Deferred revenue	33	(3,902)	(3,222)
		<u>(54,431)</u>	<u>(59,412)</u>
Total assets less current liabilities		<u>16,455</u>	<u>19,942</u>
Non-current liabilities			
Borrowings	18	(11,831)	(12,786)
Obligations under finance leases	18, 20	(33)	(49)
Provision for Liabilities	30	(3,320)	(1,750)
Deferred tax liabilities	19	(1,593)	(1,397)
Other Long Term Creditor		(101)	-
		<u>(16,878)</u>	<u>(15,982)</u>
Total liabilities		<u>(71,309)</u>	<u>(75,394)</u>
Net (liabilities)/assets		<u>(423)</u>	<u>3,960</u>

Gama Holding FZC
 Consolidated balance sheet (continued)
As at 31 December 2012

	Note	2012 \$'000	2011 \$'000
Equity			
Share capital	22	67	67
Share premium	23	4,498	4,498
Merger reserve	24	15,644	15,644
Accumulated losses	25	(20,232)	(15,639)
Equity attributable to owners of the Company		(23)	4,570
Non-controlling interest	26	(400)	(610)
Total equity		(423)	3,960

The financial statements were approved by the board of directors and authorised for issue on 11 December 2013. They were signed on its behalf by



Darren Millington
 Director

Gama Holding FZC
Consolidated statement of changes in equity
For the year ended 31 December 2012

	Share Capital \$'000	Share Premium \$'000	Merger reserve \$'000	Accumulated losses \$'000	Total equity attributable to owners of the Company \$'000	Non- controlling interest \$'000	Total equity \$'000
Balance at 1 January 2011	67	4,498	15,644	(13,567)	6,642	(137)	6,505
Loss for the year	-	-	-	(4,988)	(4,988)	(473)	(5,461)
Foreign exchange	-	-	-	(143)	(143)	-	(143)
Total comprehensive loss	-	-	-	(5,131)	(5,131)	(473)	(5,604)
Capital contribution	-	-	-	3,059	3,059	-	3,059
Transactions with owners	-	-	-	3,059	3,059	-	3,059
Balance at 31 December 2011	67	4,498	15,644	(15,639)	4,570	(610)	3,960
Loss for the year	-	-	-	(6,317)	(6,317)	(94)	(6,411)
Foreign exchange	-	-	-	386	386	-	386
Total comprehensive loss	-	-	-	(5,931)	(5,931)	(94)	(6,025)
Premium on sale of shares in a subsidiary to a minority interest	-	-	-	1,338	1,338	-	1,338
Minority Interest on acquisition	-	-	-	-	-	304	304
Balance at 31 December 2012	67	4,498	15,644	(20,232)	(23)	(400)	(423)

Gama Holding FZC
Consolidated cash flow statement
For the year ended 31 December 2012

	Note	Year ended 2012 \$'000	Year ended 2011 \$'000
Net cash generated from operating activities	28	7,622	3,120
Cash flows from investing activities			
Proceeds on disposal of property, plant and equipment		36	63
Purchases of property, plant and equipment		(3,118)	(585)
Cash acquired with purchase of subsidiary undertaking		949	-
Investment in intangibles		(305)	-
Net Cash outflow on acquisition of subsidiary		(2,721)	(2,051)
Net cash used by investing activities		(5,159)	(2,573)
Cash flows from financing activities			
Capital contribution		-	3,059
Repayments of obligations under finance leases		(917)	(819)
Decrease in borrowings		(1,673)	(919)
Net cash(used by)/generated from financing activities		(2,590)	1,321
Net (decrease)/increase in cash and cash equivalents		(127)	1,868
Cash and cash equivalents at beginning of year		6,404	4,511
Effect of foreign exchange rate changes		(471)	25
Cash and cash equivalents at end of year		5,806	6,404
Cash and cash equivalents			
		2012	2011
		\$'000	\$'000
Cash and bank balances		5,806	6,404
		5,806	6,404

Cash and cash equivalents comprise cash and bank balances. The carrying amount of these assets is approximately equal to their fair value.

Gama Holding FZC
Notes to the financial statements
For the year ended 31 December 2012

1. General information

Gama Holding FZC is a limited liability company incorporated in Sharjah Airport International Free Zone, United Arab Emirates. The address of the registered office is Executive Desk Q1-06-068/A, PO Box 121954, Sharjah, UAE and its principal place of business is Building 6EB, Office 550, PO Box 54912, Dubai Airport Free Zone, Dubai UAE. The nature of the Group's operations and its principal activities are set out in the directors' report.

These financial statements are presented in US dollars because that is the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with the policies set out in note 3.

The company was incorporated on 16 July 2008 and the trade license was issued on 30 July 2008.

2. Changes in accounting policies

Adoption of new and revised Standards

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

IFRS 9	Financial Instruments ¹
IFRS 10	Consolidated Financial Statements ¹
IFRS 11	Joint Arrangements ¹
IFRS 12	Disclosure of Interests in Other Entities ¹
IFRS 13	Fair Value Measurement ¹
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income ²
Amendments to IAS 12	Deferred Tax – Recovery of Underlying Assets ³
IAS 19 (as revised in 2011)	Employee Benefits ¹
IAS 27 (as revised in 2011)	Separate Financial Statements ¹
IAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures ¹
IAS 32 (as revised in 2012)	Financial instruments presentation ⁴

¹ Effective for annual periods beginning on or after 1 January 2013.

² Effective for annual periods beginning on or after 1 July 2012.

³ Effective for annual periods beginning on or after 1 January 2012.

⁴ Effective for annual periods beginning on or after 1 January 2014.

The directors do not expect that the adoption of these Standards and Interpretations in future periods will have a material impact on the financial statements of the company, with the exception of changes in disclosure.

3. Significant accounting policies

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs).

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for the assets acquired. The principal accounting policies adopted are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

Merger accounting has been applied to reflect the combination of the results of the Company with those of Gama Group Limited, following the share for share exchange transacted on 11 December 2008. Other than as described above in respect of Gama Group Limited, the results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination (see below) and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review which forms part of the directors' report. The directors' report also describes the financial risk management objectives of the Group and its exposure to credit risk and liquidity risk.

The directors have performed a detailed analysis of the cash flow projections for the Group as a whole covering the period through to the financial year ended 2014. The key assumptions in this forecast include the sale or refinancing of several of the Group's aircraft in order to allow the Group to meet its financing requirements over this period. The Group has commenced the marketing of this aircraft and having reviewed the evidence available the directors are satisfied that sufficient funds can be raised to allow the Group to meet its expected liquidity requirements over this period.

The directors have also considered the expected timing and outcome of the litigation the Group is currently engaged in with one of its debt holders, as disclosed in note 29. In doing so the directors have taken account of the ruling on 23 October 2013 in which the debt holders application for summary judgement was dismissed and advice from the lawyers handling the case. If the litigation were to result in an adverse ruling the Group is highly likely to require additional external funding in order to meet its liabilities. If this funding is not available the relevant subsidiaries may not be able to continue trading. This, however, would not impact on the Group as it has not provided any financial guarantees to these subsidiaries and there would be no financial recourse to the rest of the Group.

The directors have discussed this eventuality with the Group's shareholders and while no firm commitments have been provided they have a reasonable expectation that additional investment would be made available if required. In the event that insufficient funding is made available from the shareholders, the directors will seek to raise funds via the sale of other assets/businesses.

The directors are therefore of the opinion that in all reasonably foreseeable circumstances the company will remain a going concern for at least twelve months from the date on which these financial statements have been approved. Accordingly, the going concern basis has been adopted in the preparation of these financial statements.

3. Significant accounting policies (continued)

Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. The acquiree's identifiable assets, liabilities and contingent liabilities are recognised at their fair value at the acquisition date. Acquisition related costs are recognised in the income statement as incurred.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Investments in associates

An associate is an entity over which the Group is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Investments in associates are carried in the balance sheet at cost as adjusted by post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Where a Group company transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate. Losses may provide evidence of an impairment of the asset transferred in which case appropriate provision is made for impairment. The Group's share of the changes in the carrying value of the investments in associates is recognised in the comprehensive income statement.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the amount of any non-controlling interests in the acquiree and the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill which is recognised as an asset is reviewed for impairment at least annually. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

3. Significant accounting policies (continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity;
- the costs incurred or to be incurred in respect of the transaction can be measured reliably; and
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

Rendering of services

Revenue from a contract to provide services is recognised when there is a right to consideration and is recorded at the value of the consideration.

Interest revenue

Interest income is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

3. Significant accounting policies (continued)

Foreign currencies

The individual financial statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each Group company are expressed in US Dollars, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate for each year end.

Operating profit/(loss)

Operating profit/(loss) is stated after the share of results of associates but before investment income and finance costs.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense when employees have rendered the service entitling them to the contributions. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

Internally-generated intangible assets

Internally generated intangible assets are recognised only if a separately identifiable asset is created from which future economic benefits are expected to flow. The life of each asset is assessed individually. Where the life is considered to be indefinite no amortisation is charged.

Software is amortised over the expected life of the asset which is generally not more than 5 years. Other intangibles relate to the AOC (Air Operators Certificate), which is an essential cost to running the business. The certificate has an indefinite life and without the certificate the operation cannot perform legally and as such amortisation is not charged.

3. Significant accounting policies (continued)

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the first in – first out method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

3. Significant accounting policies (continued)

Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straight-line method, on the following bases:

Leasehold property	Life of lease
Aircraft hull and refurbishments	Remaining life of the aircraft
Furniture, fixtures and equipment	20% per annum
Motor vehicles	20% per annum

During the year the Group amended the useful life assumptions of its aircraft to reflect changes in the market for such aircraft. As a result the depreciation charge relating to the aircraft increased \$965,762.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

3. Significant accounting policies (continued)

Financial instruments

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial assets

Trade receivables and other receivables are measured at amortised cost less provision for doubtful debts, determined as set out below in "impairment of financial assets". Any write-down of these assets is expensed to the income statement.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Other financial liabilities

Other financial liabilities, including borrowings, are measured at fair value, net of transaction costs.

3. Significant accounting policies (continued)

Financial instruments (continued)

Derecognition of financial assets and financial liabilities

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

4. Key accounting estimates and judgements

Preparing financial statements in conformity with IFRS requires estimates and assumptions that affect reported amounts and related disclosures. Actual results could differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in applying the accounting policies that could have a significant effect on the amounts recognised in the financial statements set out below:

- The Group has an on-going legal dispute with one of its debt holders. The Group has assessed the likely outcome of this dispute and the amount it may be required to pay as part of the settlement. In doing so the directors have taken advice from the Group's lawyers. The assessment made by the Group in this respect is detailed further in note 30.
- The goodwill impairment review requires the use of estimates related to future profitability and the cash generating ability of the related businesses. The estimates used may differ from the actual outcome. Details of the impairment review performed are set out in note 11.
- The allowance for doubtful debts is calculated based on management's best estimate of the amounts which will be recovered from trade debtors. A proportion of the trade receivables balance is with individuals, for whom it is more difficult to establish a credit rating. Management are in constant communication with all debtors and assess the likelihood of recoverability on a regular basis. The estimate of the allowance for doubtful debts may vary from the actual amounts recovered if an individual becomes unable to pay. An analysis of the trade receivables balance and indications of credit concentration are provided in note 17.

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4. Key accounting estimates and judgements (continued)

- The directors undertake an annual assessment to determine if there is any indicator of impairment of the Group's aircraft. Where there is an indicator of impairment the directors undertake a full impairment review considering both the value in use and the recoverable amount of the aircraft. The value in use of aircraft is determined based on current levels of charter volumes and rates. The value recoverable amount is assessed by reference to the aircraft's market value. The market values of business aircraft have been volatile since 2008 and the low number of transactions for some model types makes valuation difficult in some circumstances. Where there is a lack of recent data the directors have taken a prudent view of valuation based on recent sales of similar aircraft types when assessing recoverable amount.

5. Revenue

An analysis of the Group's revenue is as follows:

	Year ended 2012 \$'000	Year ended 2011 \$'000
Continuing operations		
Sales of services	162,274	183,942

6. Loss for the year

Loss for the year has been arrived at after charging/(crediting):

	Year ended 2012 \$'000	Year ended 2011 \$'000
Net foreign exchange gains	(431)	(517)
Depreciation of property, plant and equipment	3,146	2,803
Amortisation of intangible assets	-	159
Impairment of property, plant and equipment (*)	2,801	351
Gain on disposal of property, plant and equipment	(19)	(17)
Cost of inventories recognised as expense	6,055	6,759
Write downs of inventories recognised as an expense	39	355
Staff costs (see note 8)	30,252	26,221
Impairment loss recognised on trade receivables (see note 17)	314	1,942
Reversal of impairment losses recognised on trade receivables (see note 17)	(444)	(45)
Litigation Provision (see note 30)	1,570	1,750

- (*) The directors have observed that as a result of the current economic downturn market values for second hand aircraft have been difficult and the number of distress sales has lowered the resale value of small and medium sized business aircraft. As a result the Group undertook a detailed impairment review and determined that an impairment of \$2,801,000 (2011: \$351,000) should be recorded.

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7. Auditor's remuneration

The analysis of auditor's remuneration is as follows:

	Year ended 2012 \$'000	Year ended 2011 \$'000
Audit and audit related services		
Fees payable to the company's auditor for the audit of the Group and company's annual accounts	31	23
Audit of the company's subsidiaries pursuant to legislation	209	194
	<u>240</u>	<u>217</u>

8. Staff costs

The average monthly number of employees (including executive directors) was:

	Year ended 2012 Number	Year ended 2011 Number
Operations and administration	156	112
Pilots and cabin crew	101	110
Aircraft engineering	127	107
	<u>384</u>	<u>329</u>

Their aggregate remuneration comprised:

	Year ended 2012 \$'000	Year ended 2011 \$'000
Wages and salaries	25,779	22,581
Social security costs	4,244	2,758
Other pension costs (see note 32)	898	882
	<u>30,921</u>	<u>26,221</u>

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9. Finance costs

	Year ended 2012 \$'000	Year ended 2011 \$'000
Interest on bank overdrafts and loans	66	188
Interest on obligations under finance leases	16	19
Other similar charges payable	1,089	1,133
	<hr/>	<hr/>
Total interest expense	1,171	1,340
	<hr/> <hr/>	<hr/> <hr/>

10. Taxation

	Year ended 2012 \$'000	Year ended 2011 \$'000
Corporation tax:		
Current year	57	5
Adjustments in respect of prior years	(207)	-
	<hr/>	<hr/>
	(150)	5
Deferred tax (note 19)	(1,005)	360
	<hr/>	<hr/>
	(1,155)	365
	<hr/> <hr/>	<hr/> <hr/>

The corporation tax rate in Sharjah Airport International Free Zone is 0% (2011 – 0%). The corporation tax rate in the United Kingdom, which is the jurisdiction in which the majority of the taxable profits arise, is 24% (2011 – 26%).

The main rate of corporation tax in the UK reduced to 26% on 1 April 2011 and further reduced to 24% effective from 1 April 2012. The UK Government intends to enact future reductions in the main tax rate down to 20% by 1 April 2015. The actual impact will be dependent on our deferred tax position at that time.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

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10. Taxation (continued)

The tax charge for the year, based on the tax rate in the United Kingdom, can be reconciled to the loss per the income statement as follows:

	Year ended 2012 \$'000	Year ended 2011 \$'000
Loss before tax	(7,566)	(5,096)
Tax at the corporation tax rate of 24.5 % (2011: 26.25 %)	(1,854)	(1,338)
Effects of:		
Expenses not deductible for tax purposes	6	(7)
Differences between capital allowances and depreciation	284	181
Origination of tax losses	1,321	1,231
Effect of tax rates in different jurisdictions	303	298
Origination and reversal of timing differences	(1,005)	-
Adjustment to tax charge in respect of previous periods	(207)	-
Tax (credit)/charge for the year	<u>(1,155)</u>	<u>365</u>

11. Goodwill

	\$'000
Cost	
At 1 January 2011	2,194
Additions (note 27)	1,497
Exchange differences	(77)
At 1 January 2012	<u>3,614</u>
Additions (note 27)	747
Exchange differences	169
At 31 December 2012	<u>4,530</u>
Accumulated impairment losses	
At 1 January 2011, 1 January 2012 and 31 December 2012	-
Carrying amount	
At 31 December 2012	<u>4,530</u>
At 31 December 2011	<u>3,614</u>

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Notes to the financial statements
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11. Goodwill (continued)

The carrying amount of goodwill is allocated to the following cash generating units:

	2012	2011
	\$'000	\$'000
Airops Software Limited	710	681
Gama Engineering Limited	2,758	2,633
Avialogistics Limited	265	253
Gama Aviation Limited/Gama Leasing Limited/Gama Support Services Limited	50	47
Ronaldson Airmotive Limited	747	-
	<u>4,530</u>	<u>3,614</u>

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts of each business are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to direct costs during the period.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next five years. The rate used to discount the forecast cash flows is 12% (2011: 12%).

The growth rate used ranged from 5% to 20% and is based on the expected growth for the relevant business.

12. Other intangible assets

	Other
	\$'000
Cost	
At 1 January 2011 and at 1 January 2012	673
Additions	3,412
Foreign exchange differences	8
	<u>4,093</u>
At 31 December 2012	4,093
Carrying amount	
At 31 December 2012	<u>4,093</u>
At 31 December 2011	<u>673</u>

The other intangible assets relate to those costs incurred in order to commence operations in the United Arab Emirates and in Switzerland which meet the capitalisation requirements of IAS38. The asset has not been amortised because the directors believe it has an indefinite life.

In addition, there are other intangible assets which were acquired with the purchase of Ronaldson Airmotive Limited, a subsidiary of Game Engineering Group Limited. These costs are in relation to Part 145 approvals and have met the capitalisation requirements of IAS 38.

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Notes to the financial statements
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13. Property, plant and equipment

	Leasehold property \$'000	Aircraft hull and refurbishments \$'000	Fixtures, fittings and equipment \$'000	Motor vehicles \$'000	Total \$'000
Cost					
At 1 January 2011	3,646	42,368	982	1,232	48,228
Additions	261	-	294	30	585
Disposals	(194)	-	(165)	(225)	(584)
Exchange differences	(18)	(1)	(9)	(3)	(31)
At 1 January 2012	3,695	42,367	1,102	1,034	48,198
Additions	2,539	12	522	45	3,118
Acquisition	-	-	859	45	904
Disposals	-	-	(224)	(503)	(727)
Exchange differences	138	3	60	7	208
At 31 December 2012	6,372	42,382	2,319	628	51,701
Accumulated depreciation					
At 1 January 2011	690	19,208	599	815	21,312
Charge for the year	328	2,058	239	178	2,803
Impairment charge (note 6)	-	351	-	-	351
Eliminated on disposals	(182)	-	(158)	(198)	(538)
Exchange differences	(6)	(1)	(10)	(3)	(20)
At 1 January 2012	830	21,616	670	792	23,908
Charge for the year	291	2,406	343	106	3,146
Acquisition	-	-	464	45	509
Impairment charge (note 6)	-	2,801	-	-	2,801
Eliminated on disposals	-	-	(230)	(478)	(708)
Exchange differences	27	3	38	5	73
At 31 December 2012	1,148	26,826	1,285	470	29,729
Carrying amount					
At 31 December 2012	5,224	15,556	1,034	158	21,972
At 31 December 2011	2,865	20,751	432	242	24,290

The Group's obligations under finance leases (see note 20) are secured by the lessors' title to the leased assets, which have a carrying amount of \$6.1 million (2011: \$8.6 million).

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Notes to the financial statements
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14. Subsidiaries

Details of the Company's subsidiaries at 31 December 2011 are as follows:

Name	Place of incorporation and operation	Proportion of voting and ownership interest	Nature of business
Gama Group Ltd	Great Britain	100%	Holding company
Gama Aviation Ltd *	Great Britain	100%	Aviation Management
Gama Aviation FZE	UAE	49%	Aviation Management
Gama Support Services FZE	UAE	49%	Aviation design & engineering
Gama Leasing Ltd *	Great Britain	100%	Aviation Management
Gama Properties Ltd *	Great Britain	100%	Dormant
Gama Support Services Ltd *	Great Britain	100%	Aviation design & engineering
Gama Engineering Ltd *	Great Britain	100%	Aviation design & engineering
Gama Engineering Group Ltd	Great Britain	100%	Holding Company
Avialogistics Limited *	Great Britain	76%	Aviation cleaning
Airops Software Ltd *	Great Britain	100%	Aviation software
Gama Aviation SA *	Switzerland	100%	Aviation Management
Gama Group Inc. *	USA	100%	Holding company
Gama Aviation Inc *	USA	100%	Aviation Management

At 31 December 2012, the following subsidiaries were added to the Company:

Name	Place of incorporation and operation	Proportion of voting and ownership interest	Nature of business
Ronaldson Airmotive Ltd *	Great Britain	94%	Aircraft servicing and rebuilding
Gama Support Services Inc.	USA	100%	Aviation design & engineering
Gama Group Asia Ltd	Hong Kong	100%	Holding company
Gama Aviation Ltd	Hong Kong	100%	Aviation management
Gama Support Services Ltd	Hong Kong	100%	Aviation design & engineering
Gama Group Mena FZE	UAE	100%	Holding company

* indicates indirect Holding.

Gama Holding FZC holds a 49% shareholding in Gama Aviation FZE and Gama Support Services FZE. The results of Gama Aviation FZE and Gama Support Services FZE are fully consolidated within the financial statements because Gama Holding FZC is able to control the financial and operating policies of these companies.

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15. Associates

	2012	2011
	\$'000	\$'000
Total assets	944	1,074
Total liabilities	(511)	(638)
Net assets	<u>433</u>	<u>436</u>
Group's share of net assets of associate	<u>212</u>	<u>213</u>
Total revenue	<u>18,509</u>	<u>20,155</u>
Loss	<u>(1)</u>	<u>(242)</u>
Group's share of loss of associate	<u>(1)</u>	<u>(118)</u>
Cumulative Group's share of loss of associate	<u>(121)</u>	<u>(120)</u>

Details of the Group's associate at 31 December 2012 and 31 December 2011 are as follows:

Name	Place of incorporation and operation	Proportion of ownership interest	Proportion of voting power held
Operator Holding Inc	USA	49%	25%

16. Inventories

	2012	2011
	\$'000	\$'000
Raw materials and consumables	3,503	4,749
Work in progress	734	1,228
	<u>4,237</u>	<u>5,977</u>

The directors consider that the carrying value of inventories is approximately equal to fair value.

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17. Other financial assets

Trade and other receivables

	2012	2011
	\$'000	\$'000
Amount receivable for the sale of services	14,270	17,122
Allowance for doubtful debts	(2,714)	(2,786)
	<u>11,556</u>	<u>14,336</u>
Other debtors	2,990	4,613
Prepayments and accrued income	14,523	18,789
	<u>29,069</u>	<u>37,738</u>

Trade receivables

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

The average credit period taken on sales of goods is 28 days (2011: 28 days). No interest is charged on overdue receivables (2011 – nil). The Group recognises an allowance for doubtful debts on a customer by customer basis, based on past default experience of the counterparty and an analysis of the counterparty's current financial position.

Before accepting any new customer, the Group assesses the potential customer's credit quality and requests payments on account, where considered appropriate, as a means of mitigating the risk of financial loss from defaults.

Of the trade receivables balance at the end of the year, \$3.4 million (2011: \$5.8 million) is due from the Group's largest 5 customers who comprise 11% (2011: 15%) of the ledger value at the year end.

Trade receivables disclosed above include amounts (see below for aged analysis) which are past due at the reporting date but against which the Group has not recognised an allowance for doubtful receivables because there has not been a significant change in credit quality and the amounts are still considered recoverable.

Ageing of past due but not impaired receivables

	2012	2011
	\$'000	\$'000
30-60 days	1,748	1,593
61-90 days	1,111	861
91-120 days	184	789
121-360 days	1,388	1,653
361+ days	1,073	634
	<u>5,504</u>	<u>5,530</u>
Total	<u>5,504</u>	<u>5,530</u>

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17. Other financial assets (continued)

Movement in the allowance for doubtful debts

	2012	2011
	\$'000	\$'000
Balance at the beginning of the year	2,786	1,408
Impairment losses recognised in income statement	314	1,942
Amounts written off as uncollectible	(27)	(514)
Amounts recovered during the year	(444)	(45)
Foreign exchange translation gains and losses	85	(5)
	<u>2,714</u>	<u>2,786</u>
Balance at the end of the year	<u>2,714</u>	<u>2,786</u>

In determining the recoverability of a trade receivable the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date.

Ageing of impaired trade receivables

	2012	2011
	\$'000	\$'000
30-60 days	-	-
61-90 days	-	-
91-120 days	98	(30)
121+ days	2,629	2,885
	<u>2,727</u>	<u>2,855</u>
Total	<u>2,727</u>	<u>2,855</u>

The directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

No security is taken on trade receivables.

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18. Borrowings

	2012	2011
	\$'000	\$'000
Secured borrowings at amortised cost		
Finance lease liabilities (note 20)	5,550	6,467
Other loans	20,366	22,078
	<u>25,916</u>	<u>28,545</u>
Total borrowings		
Finance lease liabilities	5,517	6,418
Other loans	8,535	9,292
	<u>14,052</u>	<u>15,710</u>
Amount due for settlement within 12 months	14,052	15,710
	<u>33</u>	<u>49</u>
Finance lease liabilities	33	49
Other loans	11,831	12,786
	<u>11,864</u>	<u>12,835</u>
Amount due for settlement after 12 months	11,864	12,835

Analysis of borrowings by currency:

	Sterling	US	Total
	\$'000	Dollars	\$'000
		\$'000	
31 December 2012			
Finance lease liabilities	4	5,546	5,550
Other loans	2,428	17,938	20,366
	<u>2,432</u>	<u>23,484</u>	<u>25,916</u>
31 December 2011			
Finance lease liabilities	26	6,441	6,467
Other loans	2,358	19,720	22,078
	<u>2,384</u>	<u>26,161</u>	<u>28,545</u>

The other principal features of the Group's borrowings are as follows.

- (i) Finance lease liabilities are secured by the assets leased. Interest arises at LIBOR + 1.96% and the leases expire in 2020.
- (ii) Other loans include:
 - £0.75 million (2011: £0.75 million), which has no fixed repayment term and carries an interest rate of 9.5% per annum (2011 – 9.5%).
 - \$9.8 million (2011: \$11.6 million) secured against aircraft. The borrowings are a mix of variable and fixed interest rate debt with repayment periods not exceeding five years.

The Group is in dispute with one of these debt holders as discussed in note 29.

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19. Deferred tax

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior reporting period.

	Fixed asset timing differences \$'000	Short term timing differences \$'000	Tax losses \$'000	Total \$'000
At 1 January 2011	1,061	(1)	(463)	597
Movement in year	342	-	18	360
Exchange differences	(6)	1	-	(5)
	<hr/>	<hr/>	<hr/>	<hr/>
At 1 January 2012	1,397	-	(445)	952
Movement in year	(483)	-	(522)	(1,005)
Deferred tax liability on acquisition	653	-	-	653
Exchange differences	26	-	-	26
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2012	<u>1,593</u>	<u>-</u>	<u>(967)</u>	<u>626</u>

Deferred tax assets and liabilities are offset where the Group has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2012 \$'000	2011 \$'000
Deferred tax liabilities	1,593	1,397
Deferred tax assets	(967)	(445)
	<hr/>	<hr/>
Net Deferred tax liability	<u>626</u>	<u>952</u>

The Group has not recognised a deferred tax asset of \$8.9 million (2011: \$7.1 million) in respect of tax losses brought forward because the future recoverability of the asset is uncertain. These losses begin to expire in 2013.

20. Obligations under finance leases

	Minimum lease payments	
	2012	2011
	\$'000	\$'000
Amounts payable under finance leases:		
Within one year	5,654	6,573
In the second to fifth years inclusive	33	54
	<u>5,687</u>	<u>6,627</u>
Less: future finance charges	(137)	(160)
Present value of lease obligations	<u><u>5,550</u></u>	<u><u>6,467</u></u>
	Present value of minimum lease payments	
	2012	2011
	\$'000	\$'000
Amounts payable under finance leases:		
Within one year	5,517	6,418
In the second to fifth years inclusive	33	49
Present value of lease obligations	<u><u>5,550</u></u>	<u><u>6,467</u></u>

It is the Group's policy to lease aircraft and cars under finance leases. The average lease term is 10 years for aircraft and 3 years for cars. For the year ended 31 December 2012, the average effective borrowing rate was 3 per cent (2011: 3 per cent). Interest rates are variable. Lease obligations are denominated in sterling (cars) and US dollars (aircraft).

The fair value of the Group's lease obligations is approximately equal to their carrying amount.

The Group's obligations under finance leases are secured by the lessors' rights over the leased assets disclosed in note 13.

21. Other financial liabilities

Trade and other payables

	2012	2011
	\$'000	\$'000
Trade creditors and accruals	36,429	40,480
Current Tax liabilities	48	-
	<u>36,477</u>	<u>40,480</u>

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 50 (2011: 49) days. No interest is charged on the trade payables. The Group has financial risk management policies in place to ensure that all payables are paid within agreed credit terms.

The directors consider that the carrying amount of trade payables approximates to their fair value.

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22. Share capital

	Number	AED '000	\$'000
Authorised, issued and fully paid:			
At 1 January 2011, 31 December 2011 and 31 December 2012	2,472	247	67

The Company has one class of ordinary shares with a nominal value of AED100 and no right to fixed income.

23. Share premium

	\$'000
At 1 January 2011, 31 December 2011 and 31 December 2012	4,498

24. Merger reserve

	Merger reserve \$'000
Balance at 1 January 2011, 31 December 2011, and 31 December 2012	15,644

The merger reserve arising reflects the difference between the nominal value of the shares issued in the share for share exchange compared with the fair value of the shares acquired.

25. Retained losses

	\$'000
Retained loss at 1 January 2011	(13,567)
Capital contribution	3,059
Total comprehensive loss attributable to the owners of the Company	(5,131)
Retained loss at 31 December 2011	(15,639)
Total comprehensive loss attributable to the owners of the Company	(5,931)
Premium on sale of shares in a subsidiary to a minority interest	1,338
Balance at 31 December 2012	(20,232)

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26. Non-controlling interest

	\$'000
Balance at 1 January 2011	(137)
Total comprehensive loss attributable to minority interests	(473)
Balance at 31 December 2011	(610)
Total comprehensive loss attributable to minority interests	(94)
Minority interest net assets on acquisition	304
Balance at 31 December 2012	(400)

27. Acquisitions

Acquisition of Ronaldson Airmotive Limited in 2012

On the 28th March 2012, Gama Engineering Group Ltd, a subsidiary of Gama Group Limited, acquired the entire ordinary share capital of Ronaldson Airmotive Limited, an Oxford – based company specialising in the overhaul, maintenance and inspection of piston engines and components. Under the terms of the deal, part of the consideration included a 6% shareholding of Gama Engineering Group Ltd, the immediate parent company of Gama Support Services Limited, Gama Engineering Limited and Ronaldson Airmotive Limited.

Net assets acquired	Book value	Fair value adjustment	Fair value and book value
	\$'000	\$'000	\$'000
Net assets acquired	1,219	2,457	3,673
Goodwill acquired			747
Satisfied by:			
Fair value of consideration paid			4,420

The composition of the consideration included a cash payment on the date of acquisition, deferred consideration payable over two years contingent on continued employment and 6% of the shares in Gama Engineering Group Limited.

Ronaldson Airmotive Limited recorded a turnover of £720,000 and a profit before tax of £498,000 for the period from 1 January 2012 to 28 March 2012. For the year ended 31 December 2011, Ronaldson Airmotive Limited recorded a turnover of £1,462,000 and a profit before tax of £213,000.

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27. Acquisitions (continued)

Acquisition of business and assets in 2011

On 27 May 2011 an agreement was entered into for the purchase of the business and assets of Mann Aviation Group (Engineering) Limited ("MAGE") (In Administration) by Gama Engineering Limited. However, the Administrators were unable immediately to deliver the business and assets to Gama and a side agreement was put in place appointing Gama as their agents to manage the business until such time as the business could be transferred. This occurred on 16 November 2011. Negotiations with the Administrators remain on-going and the final settlement between them and Gama has yet to be confirmed. The outcome of these could impact upon the value of goodwill recognised.

Net assets acquired

	Fair value and book value \$'000
Stocks and work in progress	554
Goodwill acquired	1,497
Satisfied by:	
Cash consideration paid	<u>2,051</u>

MAGE contributed \$568,000 of revenue and \$37,000 to the Group's profit for the period between the date of acquisition and the balance sheet date.

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28. Net cash generated from operating activities

	2012	2011
	\$'000	\$'000
Loss for the year	(6,411)	(5,461)
Adjustments for:		
Finance costs	1,171	1,340
Income tax recognised	(931)	365
Depreciation of property, plant and equipment	3,146	2,803
Impairment of property, plant and equipment	2,801	351
Amortisation of intangible	-	159
Gain on disposal of property, plant and equipment	(19)	(17)
Unrealised foreign exchange movements	224	25
Share of loss of associates	1	118
	<hr/>	<hr/>
Operating cash inflow/(outflow) before movements in working capital	(18)	(317)
Increase in inventories	1,740	(801)
Decrease in receivables	7,143	13,311
(Decrease)/increase in payables	(2,423)	(6,581)
Increase/(decrease) in deferred revenue	680	(2,902)
Increase in long term provisions	1,570	1,750
Increase in other long term creditors	101	-
	<hr/>	<hr/>
Cash generated by operations	8,793	4,460
Interest paid	(1,171)	(1,340)
	<hr/>	<hr/>
Net cash generated from operating activities	<u>7,622</u>	<u>3,120</u>

29. Contingent liabilities

The banking facilities of Gama Group Limited and its UK subsidiary undertakings are secured by a fixed and floating charge over the assets of that company and its subsidiaries. The directors consider it highly improbable that any liability will crystallise as a result of this composite company multilateral guarantee.

The Group is in dispute with one of its debt holders about the terms of its debt. The Group commenced litigation against the debt holder who then commenced counter litigation against the Group. This litigation is currently on going. The directors have made a provision of \$3,320,000 (2011: \$1,750,000) in the financial statements of the Group for this case (see note 30).

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Notes to the financial statements
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30. Provisions for Liabilities

	2012	2011
	\$'000	\$'000
Litigation provision		
Provision Brought Forward	1,750	-
Charged to income statement (note 6)	1,570	1,750
	<u>3,320</u>	<u>1,750</u>
Provision Carried Forward	<u>3,320</u>	<u>1,750</u>

The litigation provision is as a result of the Group being in dispute with one of its debt holders about the terms of its debt as set out in Note 29. If the Group is unsuccessful in the litigation it may be required to pay additional interest on the debt and the debt holder's legal costs. The directors have made a provision in the financial statements relating to this case. For further details see note 29.

31. Operating lease arrangements

The Group as lessee

	2012	2011
	\$'000	\$'000
Lease payments under operating leases recognised as an expense in the year	3,177	3,568
	<u>3,177</u>	<u>3,568</u>

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2012	2011
	\$'000	\$'000
Within one year	2,303	2,175
In the second to fifth years inclusive	1,489	2,001
After five years	364	657
	<u>4,156</u>	<u>4,833</u>
	<u>4,156</u>	<u>4,833</u>

Operating lease payments represent rentals payable by the Group for leasing of aircraft. Leases are negotiated for an average term of 5 years.

32. Retirement benefit schemes

The Group operates defined contribution retirement benefit schemes for all qualifying employees. The assets of the schemes are held separately from those of the Group in funds under the control of independent trustees. Where there are employees who leave the schemes prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

The total cost charged to income of \$898,000 (2011: \$882,000) represents contributions payable to these schemes by the Group at rates specified in the rules of the plans. As at 31 December 2012, contributions of \$nil (2011: \$nil) due in respect of the current reporting period had not been paid over to the schemes.

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33. Deferred revenue

	2012	2011
	\$'000	\$'000
Deferred revenue	<u>3,902</u>	<u>3,222</u>

The deferred revenue arises in respect of management fees invoiced in advance.

34. Financial instruments

The Group's financial assets and liabilities, as defined under IAS 39, and their estimated fair values are as follows:

At 31 December 2012

	Cash and cash equivalents	Loans and receivables	Financial liabilities at amortised cost	Book Value total	Fair value total
	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets					
Cash and cash equivalents	5,806	-	-	5,806	5,806
Trade and other receivables	-	14,546	-	14,546	14,546
Financial liabilities					
Long term provision	-	-	(3,320)	(3,320)	(3,320)
Trade and other payables	-	-	(36,477)	(36,477)	(36,477)
Obligations under finance leases	-	-	(5,550)	(5,550)	(5,550)
Borrowings	-	-	(20,366)	(20,366)	(20,366)
Other Long term creditor	-	-	(101)	(101)	(101)
Net financial assets/(liabilities)	<u>5,806</u>	<u>14,546</u>	<u>(65,814)</u>	<u>(45,462)</u>	<u>(45,462)</u>

At 31 December 2011

	Cash and cash equivalents	Loans and receivables	Financial liabilities at amortised cost	Book Value total	Fair value total
	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets					
Cash and cash equivalents	6,404	-	-	6,404	6,404
Trade and other receivables	-	18,949	-	18,949	18,949
Financial liabilities					
Long term provision	-	-	(1,750)	(1,750)	(1,750)
Trade and other payables	-	-	(40,480)	(40,480)	(40,480)
Obligations under finance leases	-	-	(6,467)	(6,467)	(6,467)
Borrowings	-	-	(22,078)	(22,078)	(22,078)
Net financial assets/(liabilities)	<u>6,404</u>	<u>18,949</u>	<u>(70,775)</u>	<u>(45,422)</u>	<u>(45,422)</u>

The fair value of the all financial instruments approximates their book values.

34. Financial instruments (continued)

34.1 Capital risk management

The Group manages its capital to ensure that the company and its subsidiaries will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balances. The Group's overall strategy remains unchanged from 2011.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 18, cash and cash equivalents and equity, comprising issued capital, reserves and accumulated losses as disclosed in notes 22 to 25.

The executive committee reviews the capital structure on a regular basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital.

Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the bases for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in note 3.

34.2 Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group seeks to reduce foreign exchange exposures arising from transactions in various currencies through a policy of matching, as far as possible, receipts and payments across the Group in each individual currency. There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

34.2.1 Foreign currency risk management

The Group undertakes transactions denominated in foreign currencies; consequently exposures to exchange rate fluctuations arise. The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets		Liabilities	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Sterling	17,075	24,414	19,616	23,080
Euro	1,186	2,199	2,973	3,054
Swiss Franc	1,983	2,125	1,556	2,050

34. Financial instruments (continued)

Foreign currency sensitivity analysis

The Group is exposed to Sterling, the Euro and the Swiss Franc.

The following table details the Group's sensitivity to a 10 per cent increase in the US Dollar against the relevant foreign currencies. This percentage has been determined based on the average market volatility in exchange rates in the previous 24 months. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10 per cent change in foreign currency rates. A positive number below indicates an increase in profit and other equity where the US Dollar strengthens 10 per cent against the relevant currency. For a 10 per cent weakening of the US Dollar against the relevant currency, there would be a comparable impact on the profit and equity, and the balances below would be negative.

	Sterling impact		Euro impact		CHF impact	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
(Loss)/profit	(254)	(133)	(179)	105	43	(7)

34.2.2 Interest risk management

The Group is exposed to interest rate risk as it finances fixed asset purchases using both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings.

The Group's exposure to interest rates on financial liabilities is detailed in section 34.4 Liquidity risk management section. The Group's exposure to interest rates on financial assets has been assessed by management as insignificant.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared based on the average liability held by the Group over the year. A 1 per cent increase or decrease represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 1 per cent basis points higher and all other variables were held constant, the Group's:

- profit for the year ended 31 December 2012 would decrease by \$258,000 (2011: \$270,000). This is mainly attributable to the Company's exposure to interest rates on its variable rate finance leases, and
- other comprehensive income would not be impacted (2011: nil).

The Company's sensitivity to interest rates has decreased during the current period mainly due to the reduction in the value of finance leases held.

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34. Financial instruments (continued)

34.3 Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and requesting payments on account, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure is continuously monitored.

Trade receivables consist of a large number of customers, coming from diverse backgrounds and geographical areas. On-going review of the financial condition of accounts receivable is performed. Further details can be located in note 17.

The carrying amount of financial assets recorded in the financial statements represents the Group's maximum exposure to credit risk. There has been no change to the Group's exposure to credit risk or the manner in which these risks are managed and measured during the year.

34.4 Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors. The Group manages liquidity risk by maintaining adequate reserves and banking facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities wherever possible. There has been no change to the Group's exposure to liquidity risks or the manner in which these risks are managed and measured during the year.

Liquidity and interest risk table

The maturity profile of the financial liabilities is summarised below. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	Weighted average effective interest rate	Less than 1 year	2 -5 years	Total
	%	\$'000	\$'000	\$'000
31 December 2012				
Long term provision	n/a	-	3,320	3,320
Trade & other payables	n/a	36,477	-	36,477
Finance lease creditors	13.4%	5,517	33	5,550
Loans	1.3%	8,535	11,831	20,366
31 December 2011				
Long term provision	n/a	-	1,750	1,750
Trade & other payables	n/a	40,480	-	40,480
Finance lease creditors	13.4%	6,418	49	6,467
Loans	1.3%	9,292	12,786	22,078

The directors consider that the carrying amounts of financial liabilities recorded in the financial statements approximate their fair values.

35. Events after the balance sheet date

After the year end Gama Aviation Limited, a wholly owned subsidiary of Gama Group Limited, entered into a sale and leaseback arrangement with an investment fund, Zawar Investment Holdings ("Zawar") who were to take on the future and already incurred costs of the new Glasgow hangar. Under this arrangement Zawar paid Gama Aviation Limited for the costs incurred to date on the Glasgow hangar and the result is that £1,584,000 of leasehold improvements that were capitalised in 2012, were transferred out of the business.

36. Related party transactions

Balances and transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its associates are disclosed below.

Trading transactions

During the year, Group companies entered into the following transactions with related parties who are not members of the Group:

	Sale of services		Purchase of services	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Zulu X-Ray Services Limited	-	-	572	552
Gama Charters Inc.	630	645	1,177	1,352
Crescent Investment LLC	3,199	4,567	143	99
MOD SPV	-	-	378	386
Quanon Capital	8,260	2,868	287	-

The following amounts were outstanding at the balance sheet date:

	Amounts owed by related parties		Amounts owed to related parties	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Zulu X-Ray Services Ltd	-	-	-	-
Gama Charters Inc	492	385	-	-
Crescent Investment LLC	-	-	1,256	37
MOD SPV	-	-	196	1,023
Quanon Capital	2,717	1,285	2,013	-

Mr G A Khalek, a director of the company, controls 25% of the voting rights of Zulu X-Ray Services Limited.

The Group controls 25% of the voting rights of Gama Charters Inc, a company registered in the USA, indirectly through Operator Holdings Inc.

Crescent Investment LLC is an investor in Growthgate Capital, a shareholder of the company.

The MOD SPV (Oneti Ltd) is owned by Mr M A Khalek, a director and shareholder of the company.

Quanon Capital is controlled by shareholders of the company.

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36. Related party transactions (continued)

All sales and purchases of services are made at market price.

Remuneration of key management personnel

The remuneration of the directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 *Related Party Disclosures*.

	2012	2011
	\$'000	\$'000
Short-term employee benefits	815	770
Post-employment benefits	105	100
	<u>920</u>	<u>870</u>

Directors' transactions

As at 31 December 2012, the group owed Mr G A Khalek \$161,510 in the form of a director's loan account, being funds advanced to the group. In 2011: \$497,315 was owed by Mr G A Khalek to the group. The loan is due on demand, is interest free and unsecured.

At 31 December 2012, the Group was owed \$2,000 by Mr M A Khalek. In 2011 the Group owed Mr M A Khalek \$302,000 in the form of a director's loan account, being funds advanced to the group. The loan is due on demand, is interest free and is unsecured.

Ultimate controlling party

The ultimate controlling party is Mr M A Khalek by virtue of his majority shareholding.

37. Provision for employees' end of service indemnity

Provision for employees' end of service indemnity is made in accordance with the U.A.E. labour laws, and is based on current remuneration and cumulative years of service at the reporting date.

	2012	2011
	\$'000	\$'000
At 1 January	80	28
Amounts charged for the year	84	52
Amounts paid during the year	-	-
At 31 December	<u>164</u>	<u>80</u>